

# *1998 Performance Plan*



## *Office of Thrift Supervision*

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## **General Summary of Strategic Plan**

### **Mission Statement**

The mission of the OTS is: Effectively and efficiently supervise thrift institutions to maintain the safety and soundness and viability of the industry. Support the industry's efforts to meet housing and other community credit and financial services needs.

The OTS was established as a bureau of the Department of the Treasury on August 9, 1989, by the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). The OTS is headed by a Director who is appointed by the President, with Senate confirmation, for a 5-year term. The Director also serves on the boards of the Federal Deposit Insurance Corporation (FDIC) and the Neighborhood Reinvestment Corporation.

### **Current Status of the Thrift Industry**

The OTS-regulated thrift industry posted earnings of \$4.8 billion for 1996, the fourth best annual earnings in history despite the large, one-time SAIF special assessment expense. Thrifts' equity capital ratio of 7.92 percent at year end 1996 is comparable to banks' capital ratio; other key financial measures of the industry also reflect its strong financial performance.

Congress recently enacted legislation to reduce regulatory restrictions and provide thrift institutions more flexibility to better serve the credit needs of their communities. This legislation expanded the volume of certain types of loans that thrifts could make to meet their "qualified thrift lender" requirements. Over 90 percent of all thrifts have assets of under \$500 million and nearly all of these are locally owned and managed. Their solid capital position, sound management and strong regulatory oversight should enable thrift institutions to integrate these expanded powers into safe and sound community-focused business and consumer lending.

Further reforms to modernize the bank and thrift charters remain an important and significant goal. Reform would bring with it new challenges to both the industry and to the OTS. Uncertainty brought about by proposed reforms to the thrift charter has been a major consideration in the development of the OTS' Strategic Plan.

## Linkage of Goals in Strategic Plan to Performance Measures in Performance Plan

OMB Circular A-11 Part 2 states that “In some cases, general goals in strategic plans and annual goals in performance plans may be identical.” The OTS’ strategic goals and annual goals are identical. OTS’ strategic goals, performance goals and measures are set forth below.

Strategic Goal (from Strategic Plan)	Performance Goal linked to Strategic Goal	Performance Measure linked to Strategic and Performance Goals
Strategic Goal: In order to contribute to a safe and sound industry, the OTS will maintain and enhance its risk-focused, differential and proactive approach to the supervision of thrift institutions.	Performance Goal: Improve the consistency of examinations.	Measure: The number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the number of examination reports reviewed.
	Performance Goal: Enhance examination documentation procedures.	Measure: The number of examination work paper reviews that deem OTS work papers to contain adequate documentation pursuant to OTS documentation standards divided by the number of examination work paper reviews conducted.
	Performance Goal: Conduct safety and soundness, compliance, holding company, trust and electronic data processing examinations of all thrift institutions scheduled to receive such examinations.	Measure: The number of thrifts that received each type of examination divided by the number of thrifts scheduled to receive this type of examination.

Performance Goal: Enhance industry awareness of the potential impact of the Year 2000 rollover on computer systems.

Measure: The number of thrift institutions informed of the Year 2000 systems conversion issues divided by the total number of thrift institutions regulated by the OTS.

Performance Goal: Perform either on-site or off-site Year 2000 conversion reviews of all OTS-regulated thrift institutions and their outside data service providers by year-end 1998.

Measure: The number of thrift institutions receiving a Year 2000 conversion review divided by the total number of thrift institutions scheduled for review.

Performance Goal: Improve the value of examinations to thrift institution directors and management.

Measure: The number of times thrifts rated the value of the examination process as being "satisfactory" or "better than satisfactory" divided by the total number of thrifts that responded to the examination survey.

Strategic Goal: Improve credit availability by encouraging safe and sound lending in those areas of greatest need.

Performance Goal: Encourage institutions' efforts to meet the housing and other credit needs of their communities, particularly low to moderate income persons and areas, through the reduction of regulatory barriers, and the continued implementation of the national community affairs program.

Measure: The degree to which the defined tasks of the community affairs program are met in any given year.

Strategic Goal: Enhance competitiveness of the thrift industry to ensure its safety and soundness.

Performance Goal: Work with undercapitalized thrifts to develop strategies for timely recapitalization and ongoing viability.

Measure: The number of FDICIA Section 131 Prompt Corrective Action (PCA) directives issued to institutions by OTS within 150 days of becoming “undercapitalized” or institutions which are recapitalized to at least “adequately capitalized” without SAIF financial assistance, divided by the number of thrift institutions that become “undercapitalized.”

Performance Goal: Support efforts to create a modern financial services charter that will ensure that insured depository institutions continue to meet credit needs, effectively compete with other financial services providers, and anticipate the needs of their customers. Work with Congress and the Administration to develop legislation consistent with stated objective.

The number of outreach projects completed divided by the number of outreach projects planned, including Congressional projects.

Strategic Goal: Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum necessary level.

Performance Goal: Continue with the regulatory reinvention process.

Measure: Meet the application processing timeframes except when an application contains an issue of law or policy.

Measure: The number of institutions that provide electronic loan data in conjunction with safety and soundness examinations divided by the number of regular safety and soundness examinations conducted.

Performance Goal: Reduce regulatory burden whenever possible.

Measure: The number of regulatory reinvention projects completed divided by the number of regulatory reinvention projects scheduled.

Strategic Goal: Provide exceptional customer service to all major customer groups, including the thrift institutions regulated by the OTS and members of the public that deal with those thrift institutions, to make government more responsive.

Performance Goal: Develop, distribute and monitor adherence to customer service plans for all major agency functions.

Measure: The number of customer service plans that met their standards divided by the total number of customer service plans.

Performance Goal: Ensure that OTS' National Systems which support industry, regulatory and administrative functions are modified and tested to be Year 2000 compliant.

Measure: Percentage success in converting appropriate National Systems (those which support industry, regulatory and administrative functions) to be year 2000 compliant.

## Customer Service

Senior management at the OTS has embraced the concept of quality customer service for some time. Many managers regularly participate in seminars and meetings with thrift management, trade groups and other regulatory agencies which allow for the exchange of information, ideas, and opinions on wide-ranging topics.

The OTS' customer service strategy has two underlying premises. The first is that tangible results will only occur if front-line employees embrace the customer service concept. The second is that employees will only be committed to customer service initiatives if they are active participants in formulating the plans that directly effect them and their workplace.

The OTS' primary customers are the thrift institutions it charters, examines and supervises and the customers these institutions serve. Thus, the first OTS customer service plan, published in 1994, was for the Examination Process. The main focus of this plan is improving communication with the thrifts regulated by the OTS through frequent interaction with thrift executives and by removing any mystery or obstacles surrounding the exam process. The OTS measures the standards set forth in this plan by conducting formal surveys and participating in town meetings and focus groups throughout the nation.

Customer service plans were then published for Congressional Correspondence (July 1995), Interpretive Opinions and Public Information (both in January 1996), Corporate Activities (May 1996) and Consumer Assistance (December 1996). Each of these plans sets qualitative and quantitative standards. The Congressional Correspondence plan incorporates standards that the OTS will use in preparing responses to congressional requests. The standards incorporated in this plan are based on the OTS' knowledge of congressional procedures and feedback received from congressional staff. The Interpretive Opinion plan establishes standards for the OTS' replies to requests for interpretive advice and legal opinions from regulated institutions and their counsel. The Public Information plan explains the services available from the OTS' Public Reference Room. The Corporate Activities plan states the goals and standards used by the Corporate Activities staff in processing corporate applications. These goals and standards are based, in part, on statutory requirements, but attempt to go beyond those standards to achieve a process that is as efficient and responsive as possible. The Consumer Assistance plan tells consumers how to resolve a complaint against an OTS-regulated thrift.

One of the major goals cited in the OTS' 1997 - 2002 Strategic Plan deals with providing exceptional customer service. The section of this Performance Plan entitled "Annual Performance Plan Goals and Measures" provides OTS' success rate in achieving its customer service standards.



## Annual Performance Plan Goals and Measures

(All data are presented on a calendar year basis.)

### Calendar Year Operating Expenses (\$000) FTE

1995	1996	1997		1998
actual	actual	planned	actual	preliminary target
\$146,659	\$133,416	\$142,702		\$137,000
1,561	1,401	1,363		1,285

**Strategic Goal:** In order to contribute to a safe and sound industry, the OTS will maintain and enhance its risk-focused, differential and proactive approach to the supervision of thrift institutions.

Measure: The number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the number of examination reports reviewed.

NA	100%	80%		90%
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Measure: The number of examination work paper reviews that deem OTS work papers to contain adequate documentation pursuant to OTS documentation standards divided by the number of examination work paper reviews conducted.

NA	81%	75%		80%
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Measure: The number of thrifts that received each type of examination divided by the number of thrifts scheduled to receive this type of examination.

Safety and Soundness  
Compliance  
Holding Company  
Electronic Data Processing  
Trust

96.8%	98.2%	95%		95%
85.4%	99.7%	95%		95%
90.6%	96.7%	85%		85%
85.0%	78.6%	80%		80%
71.4%	90.9%	75%		75%

\*The 1997 "planned" values were developed 6 months before "actual" 1996 data had been collected. Thus, in some instances, the 1997 "planned" values are lower than the 1996 "actual".

NA = not applicable.

Measure: The number of thrift institutions informed of the Year 2000 systems conversion issues divided by the total number of thrift institutions regulated by the OTS.

Measure: The number of thrift institutions receiving a Year 2000 conversion review divided by the total number of thrift institutions scheduled for review.

Measure: The number of times thrifts rated the value of the examination process as being "satisfactory" or "better than satisfactory" divided by the total number of thrifts that responded to the examination survey.

**Strategic Goal: Improve credit availability by encouraging safe and sound lending in those areas of greatest need.**

Measure: The degree to which the defined tasks of the community affairs program are met in any given year.

**Strategic Goal: Enhance competitiveness of the thrift industry to ensure its safety and soundness.**

Measure: The number of FDICIA Section 131 Prompt Corrective Action directives issued to institutions by OTS within 150 days of becoming "undercapitalized" or

institutions that are recapitalized to at least "adequately capitalized" without SAIF financial assistance, divided by the number of thrift institutions which become "undercapitalized."

Measure: The number of outreach projects completed divided by the number of outreach projects planned, including Congressional projects. The 1998 goal for outreach projects is 80%; the goal for Congressional projects is 100%.

1995	1996	1997		1998
actual	actual	planned	actual	preliminary target
NA	NA	NA	NA	80%

NA	NA	NA	NA	95%
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96.4%	98%	90%		90%
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83.3%	95%	90%		90%
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NA	100%	80%		90%
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NA	NA	NA	NA	80% 100%
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\*The 1997 "planned" values were developed 6 months before "actual" 1996 data had been collected. Thus, in some instances, the 1997 "planned" values are lower than the 1996 "actual".

NA = not applicable.

**Strategic Goal: Conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum necessary level.**

Measure: Meet the application processing timeframes except when an application contains an issue of law or policy.

Measure: The number of institutions that provide electronic loan data in conjunction with safety and soundness examinations divided by the number of regular safety and soundness examinations conducted.

Measure: The number of regulatory reinvention projects completed divided by the number of regulatory reinvention projects scheduled.

**Strategic Goal: Provide exceptional customer service to all major customer groups, including the thrift institutions regulated by the OTS and members of the public that deal with those thrift institutions, to make government more responsive.**

Measure: The number of customer service plans that met their standards divided by the total number of customer service plans. (The goal is that all customer service plans will meet their standards at least 80% of the time.)

Measure: The percentage success in converting appropriate National Systems (those which support industry, regulatory and administrative functions) to be Year 2000 compliant.

1995	1996	1997		1998
actual	actual	planned	actual	preliminary target

92.4%	98%	95%		95%
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NA	NA	NA	NA	60%
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NA	NA	NA	NA	80%
----	----	----	----	-----

NA	100%	100%		100%
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NA	NA	NA	NA	100%
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\*The 1997 "planned" values were developed 6 months before "actual" 1996 data had been collected. Thus, in some instances, the 1997 "planned" values are lower than the 1996 "actual".

NA = not applicable.

The following performance measures appeared in the 1997 Performance Plan and the 1996 - 2001 Strategic Plan but are not part of the 1998 Strategic Plan. Quantitative values for these measures will appear in the 1997 Performance Report.

**Strategic Goal: Enhance competitiveness of the thrift industry to ensure its safety and soundness.**

Measure: Development of a proposal supported by the bank regulators, the thrift industry, and key members of the House and Senate Banking Committees.

Measure: Work with Congress and the Administration to secure an agreement and identify legislation to enact the proposal.

Measure: Achievement of a permanent resolution of the SAIF/FICO funding problems.

**Goal: Enhance organizational efficiency of the OTS.**

Measure: Percentage of OTS staff using a PC compared to yearly target percentage.

Measure: Percentage of OTS staff trained to use new software compared to the yearly target percentage.

Measure: Number of Helpline calls in which responses meet or exceed expectations divided by the total number of Helpline calls. (\*The 1997 goal is based on a significant change in the OTS' software in 1996.)

**Goal: Retain a qualified and motivated work force.**

Measure: Number of employees receiving training divided by the total number of employees.

Measure: Issuance of a comprehensive training policy that sets forth agency priorities to maintain a work force with the knowledge and skills critical to both OTS' mission and employee development.

1995	1996	1997		1998
actual	actual	planned	actual	preliminary target

100%	100%	Completed 9/30/96	Completed 9/30/96	Completed 9/30/96
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100%	100%	Completed 9/30/96	Completed 9/30/96	Completed 9/30/96
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0%	100%	Completed 9/30/96	Completed 9/30/96	Completed 9/30/96
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NA	100%	100%		NA
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NA	95%	100%		NA
----	-----	------	--	----

98.9%	98%	95%		NA
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94%	100%	98%		NA
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NA	100%	100%		NA
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\*The 1997 "planned" values were developed 6 months before "actual" 1996 data had been collected. Thus, in some instances, the 1997 "planned" values are lower than the 1996 "actual".

NA = not applicable.

# **Means and Strategies; OTS' Organizational Structure, Operational Processes, Skills, Revenue and Technologies Needed to Achieve Goals**

## **Organizing to Achieve Goals**

The OTS is organized to efficiently carry out its mission using the most effective operational and management processes:

- ◇ The Director determines policy for the OTS and makes final decisions on regulations, policies and administrative adjudications governing the thrift industry as a whole and on measures affecting individual institutions.
- ◇ The Office of Supervision develops regulations, directives and other policies to ensure the safe and sound operation of savings institutions as well as their compliance with federal laws and regulations and processes all corporate applications. It oversees the direct examination and supervision of savings institutions, their holding companies, subsidiaries, fiduciary operations, and data service providers, by regulatory staff in the five regions and responds to consumer and discrimination complaints against savings associations.
- ◇ The Office of Administration directs policy development for administrative operations including contracting and procurement, training, records management, the Freedom of Information Act (FOIA), human resources, automated data processing, telecommunications, financial management (including payroll, accounting, and compliance with Generally Accepted Accounting Principles) and the agency's nationwide computer system. Administration is also responsible for implementing the requirements of the Chief Financial Officers Act, the Federal Managers' Financial Integrity Act, the Government Performance and Results Act and the Information Technology Management Reform Act of 1996.
- ◇ The Office of Chief Counsel provides a full range of legal services to the Director, the OTS and other agency staff including providing legal advice and opinions on regulatory and administrative matters, drafting regulations, advising on transactional matters, representing the OTS in court, and prosecuting enforcement actions related to thrift institutions and institution-affiliated parties.
- ◇ The Office of External Affairs communicates information concerning the OTS regulations, policies and key developments within the agency to the thrift industry, the public, the press, government agencies and other key constituencies. External Affairs also maintains a liaison between the OTS and Congress, and the Federal Deposit Insurance Corporation and coordinates all Congressional testimony.
- ◇ The Office of Research and Analysis collects and analyzes thrift industry and general economic data. It tracks and reports on the financial condition of the thrift industry, assesses savings associations' interest rate risk exposure, provides quarterly

reports to most thrift institutions describing their exposure, and conducts research related to the thrift industry and housing markets.

The OTS Director in conjunction with the Executive Directors of OTS' five major offices communicate the OTS' goals and objectives to staff and assigns accountability to managers and staff for the achievement of objectives.

## **Operating Capital**

The OTS receives no appropriated funds. FIRREA granted to the OTS the authority to raise its operating capital through assessments on the thrift industry. These assessments are based on each institution's size and financial condition with healthy institutions paying less than similar-sized troubled institutions. Since the establishment of the OTS in 1989, the thrift industry has experienced a dramatic decline in the number of institutions and the level of industry assets. In December 1990 there were 2,539 thrift institutions holding \$1,129 billion in consolidated assets. By September 30, 1997 the thrift industry had declined to 1,238 institutions holding \$763 billion in consolidated assets; a 51.2 percent reduction in the number of institutions, and a 32.4 percent reduction in the dollar value of assets during this period.

In 1990, OTS assessment revenue totaled \$266 million. Since that time, assessment revenues have declined due to an overall decline in the number of institutions and the relative improvement in their financial condition. By 1997, assessment income had fallen to approximately \$128 million, a decrease of 51.8 percent in seven years. In addition to assessment fees, the OTS also receives funds from application fees, interest, the recovery of enforcement expenses, rental leases, and other miscellaneous sources. Due to the continuing decrease in revenue, OTS operating expenses have been cut significantly from \$267 million in 1990 to approximately \$137.6 million in 1997, or by approximately 48.5 percent. In 1998 operating expenses are estimated at \$137.6 million.

## **Staff**

The OTS requires a highly skilled and trained staff due to the complexity of its supervisory role for the thrift industry. The heightened competitive pressures from other federally insured depository institutions, federally sponsored enterprises supporting the secondary housing markets, and other domestic financial intermediaries have increased pressures on thrifts to maintain profitability without incurring excessive risk. In order to responsively supervise thrifts, the OTS staff must quickly identify when risk becomes unacceptable and take immediate corrective measures to mitigate problems.

In addition to tougher competition, the industry and its supervisor must evaluate and accommodate the rapidly changing and increasingly complex array of financial instruments to ensure thrifts are meeting the financial services needs of their local communities and availing themselves of appropriate investment opportunities. For example, the increasing reliance on adjustable-rate mortgages (ARMs), rather than the standard 30-year fixed-payment mortgages not only provides consumers with a more flexible mortgage alternative, tailored to their financial need, but also provides thrifts a greater opportunity to reduce their exposure to interest rate changes. However, these more complex instruments also require far more sophisticated analysis to assure that the underlying structures do, in fact, provide appropriate interest rate risk protection.

The increasing operational complexity for thrifts has changed the nature of the OTS' supervisory activities. The OTS staff must evaluate the credit, interest rate, and other market risk dimensions of the new financial instruments used by its supervised entities. Such evaluations require more complicated financial analyses incorporating the use of econometric models that subject individual thrift portfolios to "stress tests" or other forms of sensitivity analysis.

The increasing availability of new financial instruments and their use by thrifts requires not only more advanced financial and economic skills within the OTS but also a highly trained and experienced legal staff to address the complicated questions concerning the liabilities of issuers of such instruments. Additional legal skills are also required to address increasing institutional consolidations and more sophisticated holding company structures.

Increasing industry interest in using electronic banking technologies has produced a need for the OTS staff to develop an electronic banking safety and soundness program. This program, when completed, will help examiners evaluate an institution's planning, administration and internal controls with regard to electronic banking technology.

## **Technology**

The introduction of new technology is also impacting the U.S. financial system. To ensure that the OTS staff can carry out its responsibilities as efficiently and effectively as possible, the OTS is committed to taking full advantage of technology to improve the daily work environment and enhance the way in which we do our work, thus reducing the burden on the institutions we supervise. As a new personal computer infrastructure is implemented, the OTS will explore opportunities to use this infrastructure to make the agency more productive, effective and responsive to the needs of the industry we regulate and the public we serve.

## **Financial Management Systems**

The OTS uses an off-the-shelf accounting system purchased from Computer Data Systems as the key component of its financial management system. The Primary Accounting System, which operates on a calendar-year basis, integrates the Procurement, Budget Execution, Accounts Payable, Accounts Receivable, General Ledger, and financial reporting functions and is also directly interfaced by the Payroll/Personnel System. Other critical components of the financial management system are the National Application Tracking System, the Assessment Billing System, and the Furniture, Fixtures, and Equipment System.

The OTS' financial management system produces accurate, relevant, timely and useful information. Summary financial reports and budget variance reports are provided to senior management on a monthly basis to assist in decision making. The OTS has received an "unqualified" audit opinion on all of its audited financial statements since 1990.

The OTS continually enhances its financial management systems based on changing user needs. The data processing systems are re-evaluated in three-year intervals and each interval is made up of a maintenance period, a system review period, and a significant enhancement period.



## **Means that Will Be Used to Verify Measured Values**

The quantitative values reported for OTS' performance measures are accurate and auditable. Several of the quantitative values are generated with the help of OTS' automated systems. For example, the Regulatory Plan System, which was developed to support OTS' regional operations, supports the measure which deals with the value of examinations to thrift institution managers. The Examination Data System (EDS) and Report of Examination System (ROE) support the measure which reports the number of examinations completed to scheduled. The Thrift Information Exchange System (TIES) was implemented in 1994 and integrates three OTS subsystems: Corporate Structure; Holding Company Structure; and National Application Tracking System. Each of these three systems continues to exist but TIES ensures that the data are consistent among the systems and produces integral reports. TIES supports the performance measure dealing with the application processing timeframes.

For each performance measure, a "contact person" is assigned. The contact person is responsible for ensuring that the "level of success" for their measure as reported in OTS' Performance Report is accurate; the contact person is also responsible for keeping auditable records. In addition, the OTS Quality Assurance program, which has been in place since 1991, provides internal quality control for the examination process and for administrative functions performed in the five regional offices. OTS' Quality Assurance Reviews determine the accuracy, reliability and fairness of information and financial data produced within the Regions and ensures that all regional information complies with Federal Managers' Financial Integrity Act ("FMFIA") standards. FMFIA requires the heads of departments and agencies to establish internal accounting and administrative control programs in accordance with standards prescribed by the Comptroller General.

The methodology used to capture the level of performance for each performance measure is described below:

**Measure: The number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the number of examination reports reviewed.**

The OTS believes that examination reports should effectively communicate safety and soundness concerns to boards of directors, and that our supervisory efforts should be responsive to thrift management's concerns. The Examination Outreach Program (EOP) solicits input from thrift managers on examination issues, and the EOP conducts reviews of at least 20 percent of examination reports, annually, for clarity and consistency with national examination policies. Reviews are conducted on Safety and Soundness, Compliance/CRA, Trust, and Information Systems examination reports, before they are transmitted to the thrift institution. National examination policies are contained in the examination handbooks (Thrift Activities, Compliance Activities, Trust Activities, and the interagency EDP Examination Handbook). Examination handbooks are updated continuously, to reflect new statutes and policies, and new activities being undertaken by the thrift industry.

The OTS will measure this standard through the review of the examination reports by the regional EOP managers, all of whom are seasoned examiners. The performance measure will be calculated by dividing the number of examination reports found to be consistent with national policy by the total number of examination reports reviewed.

**Measure: The number of examination work paper reviews that deem OTS work papers to contain adequate documentation, pursuant to OTS documentation standards, divided by the number of examination work paper reviews conducted.**

The purpose of the work papers is to document and provide detailed support for the conclusions and findings made in the Examination Report. Since 1992, the Quality Assurance Reviews of the examination reports include an evaluation by the Quality Assurance Managers of the related examination work papers regarding whether the work papers adhere to national policies and regional guidance (see the above measure for the specific names of the handbooks which contain national policies). The work paper documentation requirements are very specific and inclusive. Each of the five Regional offices perform approximately five Quality Assurance reviews of some aspect of examinations, each of which include the review of a sample of examinations and the supporting examination work papers. The typical examination and work paper sample includes ten examinations and the supporting work papers, which are analyzed as part of each Quality Assurance review.

This measure will be quantified by dividing the number of work papers that meet the documentation requirements set forth in the national policy and regional guidance by the total number of work papers reviewed.

**Measure: The number of thrifts that received each type of examination divided by the number of thrifts scheduled to receive this type of examination.**

The OTS performs safety and soundness examinations of its regulated institutions based on the OTS Examination Policy consistent with the requirements in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) as amended by the Riegle Community Development and Regulatory Improvement Act of 1994. Compliance - including Community Reinvestment Act, trust, holding company, and information systems examinations are conducted pursuant to internally-generated examination frequency requirements. When an institution is examined, the OTS staff enters into the Examination Data System (EDS) the examination type, examination beginning and completion dates, Report of Examination mail date, and CAMELS ratings.

The OTS staff with access to the Output Reporting system can access the EDS examination information at any time. Performance Tracking Reports are generated monthly and reviewed by the Executive Director, Supervision and all five Regional Directors. Any examination or institution that falls outside of the specified guidelines for the examination time frame or duration is identified. When necessary, management will determine why standards are not being met and will initiate steps to improve performance. The quantitative value for this measure will be calculated separately for each examination type by dividing the number of examinations that were conducted by the number of examinations that were scheduled to be conducted.

**Measure: The number of thrift institutions informed of the Year 2000 systems conversion issues divided by the total number of thrift institutions regulated by the OTS.**

The OTS will continue to build on efforts begun in 1995 to alert the thrift industry about the scope and significance of the Year 2000 rollover on computer systems. The OTS CEO Letters issued in 1996 and 1997 transmitted FFIEC statements emphasizing the importance of Year 2000 matters. The OTS has also created a Year 2000 section as a part of its website that contains the various materials sent to the industry, as well as a direct link to the FFIEC Year 2000 website. Information requests made to all thrifts in May 1997 to facilitate off-site examinations on Year 2000 awareness and planning served a dual purpose in that they also served to focus the industry's attention on Year 2000 issues. Furthermore, the OTS has developed specific Year 2000 examination procedures that will be used during on-site examinations of all the OTS regulated institutions and their data service providers. Issues or problems uncovered during these examinations will be addressed in the reports of examination.

The OTS' industry awareness task in 1998, and subsequent years (until this matter is resolved), will be to identify additional topics that should be brought to the industry's attention as it moves from the awareness and planning phases into the renovation, testing and implementation phases. Each

quarter, Year 2000 coordinators from the regions and the national Year 2000 coordinator will make a determination as to whether or not awareness issues have surfaced and, if so, the best means to bring these issue(s) to the industry's attention.

The measure will be calculated by dividing the number of awareness releases and webpage changes made by the number of such releases and changes planned.

**Measure: The number of thrift institutions receiving a Year 2000 conversion review divided by the total number of thrift institutions scheduled for review.**

The OTS is aggressively and affirmatively responding to the challenge of ensuring that the thrift industry's operations and services are not disrupted by problems related to the calendar year rollover. The OTS will use the results of off-site examinations to prioritize a second round of on-site examinations focusing on the industry's Year 2000 renovation efforts. This second cycle of Year 2000 examinations to be conducted at every thrift will begin during the fourth quarter of 1997 and continue into 1998.

The measure will be calculated by dividing the number of thrifts that received an examination in 1998 that assessed renovation efforts to the number of thrift institutions scheduled for such a review, i.e., all those without renovation examination work in 1997. The raw data for the calculation will be retrieved from two national databases, Exam Data System (EDS) and the Time and Attendance Reporting System (TARS).

The OTS recognizes that although the ultimate responsibility for Year 2000 compliance rests with the thrift industry, many thrifts rely on outside data service providers. The examination plan for these service providers parallels the plan for thrift institutions except that some of the examinations will be conducted by other agencies or jointly with other agencies. National databases will again be used to track progress throughout the year and to calculate the performance measure at year-end.

**Measure: The number of times thrifts rated the value of the examination process as being "satisfactory" or "better than satisfactory" divided by the total number of thrifts that responded to the examination survey.**

The Customer Service Plan for the Examination Process was published in September, 1994. Since then, when an institution receives a Safety and Soundness, Compliance, Community Reinvestment Act, or Information Systems examination, it also receives a survey form, the purpose of which is to assess the OTS' performance against the Customer Service Plan. The current survey form contains 11 questions. Each question measures one aspect of the performance of the examination team during the examination. Each of the 11 questions is answered either "yes" (signifying "satisfactory" or "better than satisfactory" performance), or "no" (signifying "less than satisfactory performance"). In addition, five of the questions allow qualitative responses ("very satisfied," "somewhat satisfied," "somewhat dissatisfied," and "very dissatisfied").

The results from the Customer Service Surveys are entered into a database. The regional Customer Service Coordinator, who enters the results into the database, also enters an assessment as to whether the survey received an overall positive or negative response, based on the answers to each of the 11 questions, plus any narrative comments in the survey. The performance measure will be calculated by dividing the number of surveys that received a positive response by the total number of surveys. The survey response rate approximates 60 percent.

**Measure: The degree to which the defined tasks of the Community Affairs Program are met in any given year.**

At the beginning of each year, the OTS staff responsible for the Community Affairs Program, with the concurrence of the Regional Directors and the Executive Director, Supervision, develop a set of program objectives for the year along with a list of clearly defined tasks that will ensure the stated objectives are met. At the end of each year, the Community Affairs Liaisons, with the concurrence of the OTS' five Regional Directors and the OTS' National Community Affairs Coordinator, determine to what extent the given tasks were accomplished in each of the Regional Offices and the Washington Office. Based upon this information, the Director for Compliance Policy makes an overall determination as to whether a given task has been successfully completed. The Director for Compliance Policy prepares a written report to the Executive Director, Supervision regarding program findings.

In 1997, eight tasks or objectives were identified for the Community Affairs Program and each task was given equal weight.; thus, when quantifying this performance measure, the eight tasks will each count for 12.5 percent of the total.

**Measure: The number of FDICIA Section 131 Prompt Corrective Action (PCA) directives issued to institutions by OTS within 150 days of becoming "undercapitalized," or institutions which are recapitalized to at least "adequately capitalized" without SAIF financial assistance; divided by the number of thrift institutions which become "undercapitalized."**

The OTS has adopted a measure which addresses both of the objectives of PCA: 1) to recapitalize undercapitalized thrifts at the least cost to the deposit insurance fund; and 2) to do it "promptly." The statute requires that institutions submit capital restoration plans within 45 days of becoming "undercapitalized," and for the agency to act on the capital plan, generally not later than 60 days after submission. The OTS policy is to formally act on capital plans through the issuance of a PCA directive. The measurement adopted allows 150 days from becoming "undercapitalized," to issue the PCA Directive. This time frame includes notification, capital plan submission, review, decision on the capital plan, and issuance of the PCA Directive. Alternatively, the OTS can also comply with the measurement if the institution does not fail and is recapitalized, even if the 150 day time frame is exceeded.

The OTS will measure its performance against this standard through PCA Monitoring Reports, which are prepared quarterly by the Regional Operations division of Supervision located in Washington. The PCA Monitoring Reports contain aggregate data on the number of thrifts in the three PCA undercapitalized categories, analyses of each PCA undercapitalized institution, the cause of the problem and the strategy to recapitalize including the appropriate time frames. The PCA Monitoring Reports also contain information on institutions that are just above the PCA Adequately Capitalized levels.

**Measure: The number of outreach projects completed divided by the number of outreach projects planned; including Congressional projects.**

The Executive Director of External Affairs, in conjunction with other Executive Directors and Regional Directors, will meet with industry representatives and leaders to heighten awareness of any legislative and regulatory changes that alter savings institutions' flexibility for providing needed financial services to their communities. Congressional interaction plays an important role in this outreach effort. The OTS has and will continue to work closely with the Congress to provide information and technical assistance as requested on the thrift industry and the impact of legislation on institutions regulated by the OTS. Current legislative efforts focus on proposed legislation intended to enhance the competitiveness of the financial services industry.

The performance measure will be calculated using two components: 1) Dividing the number of meetings held by the total number of meetings planned; and 2) Dividing the number of times the OTS responds to requests for technical assistance by the total number of requests for such assistance.

**Measure: Meet the application processing timeframes except when an application contains an issue of law or policy.**

The OTS regulations require thrift institutions to file an application before engaging in certain activities. Most applications are reviewed and acted upon at the OTS' five Regional Offices. Certain complex transactions and those containing issues of policy or law are reviewed and acted upon in Washington. The mission of the applications program is to ensure that applications are processed within established timeframes and that application decisions are consistent with current OTS regulations and policies. All applications, unless eligible for expedited treatment, should be processed to a decision within 60 days from the date they are deemed complete. Expedited applications should be processed to a decision within 30 days from the date they are deemed complete.

The performance measure will be calculated by dividing the number of applications which were processed within the established timeframes by the total number of applications received.

**Measure: The number of institutions that provide electronic loan data in conjunction with safety and soundness examinations divided by the number of safety and soundness examinations conducted.**

The analysis of loan portfolios can be significantly improved by using computer technology. To perform the analysis, data must be obtained in electronic format. All institutions will be requested to provide data electronically, on a voluntary basis.

At the conclusion of each safety and soundness examination, regional staff will record whether the institution provided electronic loan data. The measure will be calculated by dividing the number of institutions that did provide electronic loan data by the total number of examinations ending in the same time period.

**Measure: The number of regulatory reinvention projects completed divided by the number of regulatory reinvention projects scheduled.**

One of the OTS' continuing initiatives is to reduce the regulatory burden on thrifts. The OTS' Financial Reporting Division is currently working on several initiatives to enhance the efficiency of the financial reporting process and thereby reduce the reporting burden on the industry. Corporate Activities has continued to streamline the application process resulting in a significant reduction in application processing timeframes. During the coming years, one of Supervision's goals will be to continue streamlining the examination process. Supervision has already significantly reduced the amount of on-site examination time; streamlined reporting requirements by moving to consolidated reports and eliminated separate reports for subsidiaries; redesigned 60 percent of the OTS' regulations to make them easier to understand, and eliminated unnecessary restrictions that are not tied closely to important safety and soundness objectives.

In the fourth quarter of 1997, the OTS Director and Executive Committee will approve a document listing the OTS regulatory projects to be completed in 1998. At the end of 1998, the success of achieving these regulatory projects will be determined by comparing the number of projects listed to the number of projects for which either (1) a final regulation has been sent to the Federal Register for publication or (2) the Director and Executive Committee have affirmatively determined not to continue to expend staff resources.

**Measure: The number of customer service plans that meet their standards divided by the total number of customer service plans.**

On September 11, 1993, President Clinton issued an Executive Order entitled "Setting Customer Service Standards." The purpose of the Order was to facilitate the establishment and implementation of customer service standards within the government. The order requires agencies to survey their customers to understand their needs and expectations. Agencies must then set forth and publish standards that address customer needs. The OTS subsequently established set standards for core, external customer groups in response to the Executive Order.

The OTS believes its primary customers are the thrift institutions it charters, examines and supervises and the customers these institutions serve. The OTS published a customer service plan in 1994 for the Examination Process. The standards for the Examination Process can be grouped by pre-

examination process, examination fieldwork, and post-examination process. The OTS measures the standards set forth in this plan by conducting formal surveys and participating in town-meetings and focus groups throughout the nation.

Customer service plans for Congressional Correspondence, Interpretive Opinions, Public Information and Corporate Activities were published between July 1995 and August 1996. Each of these plans set forth both qualitative and quantitative standards. Other customer service plans will be created as needed. A customer service plan for Consumer Assistance has been active since 1991; it was revised, enhanced and published in 1996.

Every office with a published customer service plan reports to the OTS Ombudsman on a quarterly basis regarding whether they are meeting their stated customer service standards. The OTS Ombudsman analyzes the information and presents a detailed report to the Executive Committee.

This quantitative value for this performance measure will be obtained by dividing the number of customer service plans that met their stated goals 80 percent of the time by the total number of customer service plans. The OTS goal is that all of the OTS' customer service plans will meet their specified goals at least 80 percent of the time.

**Measure: The percentage success in converting appropriate National Systems (those that support industry, regulatory and administrative functions) to be Year 2000 compliant.**

The OTS has prepared and planned for the Year 2000 and has allocated funds for this specific purpose for the next two years. The National Systems are being modified based on a plan that was submitted to specific Treasury staff responsible for monitoring Year 2000 activities, plans and issues. All of the OTS' National Systems will meet Treasury guidelines by year-end 1998. The OTS reports to Treasury on a monthly basis on its Year 2000 activities and achievements.

The OTS' success in converting its National Systems to be Year 2000 compliant will be calculated in two ways. First, the project leader for each system will report to the IRM Year 2000 coordinator on a monthly basis regarding the status of the effort. When the system has been implemented, it will be marked as "complete." The second level of validation will occur in the OTS' annual disaster recovery tests; the OTS will test each of the completed systems in a Year 2000 operating environment. The OTS will comply with Treasury's requirement to use the year 1999 as a validation year.

***The following performance measures appeared in the 1997 Performance Plan and the 1996 - 2001 Strategic Plan, but not in the 1998 Strategic Plan; quantitative values for these measures will appear in the 1997 Performance Report.***

**Measure: Development of a proposal supported by the bank regulators, the thrift industry, and key members of the House and Senate Banking Committees.**

The most critical issue facing the thrift industry in 1996 was the presence of a significant 23 basis point differential in the insurance premiums thrifts paid for federal deposit insurance relative to banks. However, on September 30, 1996, Congress passed and President Clinton signed into law the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). As a result, for the first time in many years the thrift industry could focus its attention on its primary business - serving the American consumer. The passage of EGRPRA means that this performance measure has been fully achieved.

**Measure: Work with Congress and the Administration to secure an agreement and identify legislation to enact the proposal.**

See above discussion regarding the passage of EGRPRA. The passage of EGRPRA means that this performance measure has been fully achieved.

**Measure: Achievement of a permanent resolution of the SAIF/FICO funding problems.**

See above discussion regarding the passage of EGRPRA. The passage of EGRPRA means that this performance measure has been fully achieved.

**Measure: Percentage of OTS staff using a PC compared to yearly target percentage.**

In 1995, the OTS management decided to implement a standard PC infrastructure throughout the OTS. Staff from Information Resources Management worked with representatives from other offices to develop and propose hardware and software standards. In 1996, the hardware and software standards were approved and the PC infrastructure was funded and implemented. The approved hardware standard is a pentium; all new PC's purchased will be at least a pentium. The approved software standard includes Microsoft Windows 95 and Microsoft Office Pro for 95 Suite.

The OTS also established a goal of providing every OTS employee with a PC by year-end 1996. In addition, the OTS established a target of training 80 percent of the OTS staff in the use of their PCs during 1996. The goal for 1997 is that every OTS staff member will have access to a PC and will have been trained in the use of that PC.

This performance measure includes two variables: 1) having access to a PC, and, 2) being trained in the use of that PC. The quantitative value for this measure will be calculated by multiplying the percentage of the OTS staff that have access to a PC by the percentage of staff that have been trained in the use of their PCs.

**Measure: Percentage of OTS staff trained to use new software compared to the yearly target percentage.**

In early 1996 the OTS embarked on a program to implement a PC infrastructure and train all the OTS staff in the use of Windows 95 and Microsoft Word during the months of July through October 1996; some OTS staff will also receive Excel training during this time frame. A decision was made to convert the Report of Examination (ROE) to Microsoft Word; all Regional Examiners will be trained in the ROE from October 1996 through March 1997. The training calendar reflects training dates and identifies the OTS personnel who should attend training during each month. Given the fact that some OTS personnel could resign, or be away from the office due to a schedule conflict or an emergency on their specified training date, the 1996 target has been set at successfully training 80 percent of the staff identified to receive training. In 1997, a target of 100 percent has been specified. Staff receiving training in 1997 will be the Regional staff who were slated to receive training, all staff members who were unable to attend their specified training dates, plus new hires.

In order to calculate the actual success rate of this measure, the number of OTS staff members who received training will be divided by the number of staff members designated to receive such training; the staff members who have left the OTS before their training could be completed will be deducted prior to this calculation.

**Measure: Number of Helpline calls in which responses meet or exceed expectations divided by the total number of Helpline calls.**

The mission of the OTS National Helpline is to provide a central point of contact for assistance to the OTS staff who use office automation, national applications, mainframe hardware and software, PC hardware and software, and telecommunications. The Helpline is answered by Technical and Customer Support personnel from 7:30 am until 5:00 p.m. Eastern Time, Monday through Friday. If a problem occurs after the normal hours of operation, all Helpline requests are recorded on the Helpline Voice Mail System. The Helpline Voice Mail System is supported by a pager system. The OTS Regional personnel are requested to initially contact their respective Region/District Helpline or local expert for assistance. The Region/District Helpline staff will call the IRM National Helpline if they are unable to resolve the problem at the Regional level.

Helpline personnel render assistance immediately over the telephone whenever possible, based on the complexity of the problem and their level of expertise. If Helpline personnel are unable to solve the problem it is their responsibility to forward the call to the appropriate support personnel for resolution. Each call is recorded in the Helpline Automated Tracking System (HATS). Calls are entered into HATS at the time the call is placed. A sampling of 10 percent of all Helpline calls are followed up with a verbal survey regarding the level of satisfaction the caller experienced. The three levels of satisfaction are: "unsatisfied," "met expectation," or "exceeded expectation." Information Resources Management has set a benchmark of satisfying 95 percent of all National Helpline callers. The performance measure is quantified by dividing the number of callers surveyed that stated that the service provided either met or exceeded their expectations by the total number of callers surveyed.

**Measure: Number of employees receiving training divided by the total number of employees.**

During 1995, the OTS embarked on a program to record training data on all OTS employees. This program requires the completion of an annual Training Plan which encompasses all OTS employees. The Training Plan must be approved by the Training Steering Committee and the OTS' executive management. Once the Plan is complete, the training scheduled for each employee is entered into a National Training System database. This database produces a centralized training report that lists the following information: The name of the training course, the training date, whether or not the course was completed during the specified time frame, course location, tuition, and any travel costs associated with the training. The National Training System database was programmed to provide quarterly training reports that reflect training taken year-to-date.

In order to calculate the success rate for this measure, the training reports will be used to calculate the number of employees who received training; this number will be divided by the total number of OTS employees at the end of the training year.



**Measure: Issuance of a comprehensive training policy that sets forth agency priorities to maintain a work force with the knowledge and skills critical to both OTS' mission and employee development.**

In 1996, the OTS undertook the task of developing a comprehensive training policy that outlines the priorities and parameters needed to maintain a qualified work force that has the knowledge and skills critical to both OTS' mission and employee development. The training policy identifies priority curriculum for regulatory and non-regulatory courses and defines the role of the training personnel and training committee in the Regional and Washington offices. The priority curriculum will be reviewed annually to ensure that the OTS provides the most critical training during the current calendar year. The training policy outlines the training priorities of the agency and its executive management. The training policy requires the completion of the Training Plan (described in the previous measure).

## **Efforts to Identify Programs of an Interagency Cross-Cutting Nature**

The OTS participates with the Results Act Banking Regulatory Working Group, which meets monthly and includes representatives from the Comptroller of the Currency, Federal Deposit Insurance Corporation, and National Credit Union Administration, in addition to the OTS. The purpose of the group is to coordinate strategic planning activities and, if possible, develop cross-cutting goals and measures.

To date the Working Group has shared and analyzed the members' final Strategic Plans as sent to Congress, and noted similarities that already exist. The primary working group has broken off into four subgroups; each subgroup is headed by one of the member agencies. Two of the subgroups will spend 1998 searching for commonalities in the regulators' Examination and Outreach programs, one will investigate the feasibility of devising similar formats for the various reports required by the Government Performance and Results Act. The final subgroup will investigate various methods of linking strategic plans with budgets.

## **The Link Between OTS' Performance Plan and its Budget**

OMB's A-11 guidance indicates in Section 220.9 that the annual Performance Plan should be directly linked to an agency's budget and funding levels must be consistent with the agency's budget request to OMB. The OTS receives no appropriated funds from Congress. The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) provided the OTS with the authority to fund its operations through periodic assessments charged to the thrift industry. Assessments on the thrift industry constitute the largest single component of the OTS income. During calendar year 1997 assessments are projected to account for 88 percent of total income. The OTS also receives income from application fees, interest, rents and subleases, exam fees and other miscellaneous sources.

Notwithstanding the fact that the OTS receives no appropriated funds, its Strategic Plan, Performance Plan, and CFO Report are all consistently linked with the President's budget. The aforesaid A-11 guidance indicates that "Each agency has discretion on how program activities are arrayed in the annual plan, provided that:

- each program activity in its Program and Financing (P&F) schedule in the President's Budget is covered; and
- every major program, function or operation of the agency is reflected in the Performance Plan."

The OTS has only one program account in its P&F schedule. Thus, all of OTS' annual income is reflected in this one program account. In addition, OTS' Strategic Plan, Performance Plan and CFO Report consistently cover all of OTS' major functions.

## **Use of non-Federal Parties, Adjustments to Strategic Plan, and Requests for Waivers**

**Preparation of Plan:** No non-Federal persons or other entities were used in the preparation of this Performance Plan. The only outside assistance utilized was provided by the Department of the Treasury and the Office of Management and Budget, in the form of guidance to help the OTS prepare this Plan in accordance with OMB Circular A-11.

**Adjustments:** There were no adjustments made to the OTS' Strategic Plan as a result of the development of this Performance Plan.

**Waivers:** The OTS does not require any waivers of administrative requirements associated with the preparation of this Performance Plan.